

2011-12 – 1st QUARTER STATUS REPORT – Chief Actuary (A. Milligan)

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Qualitative Performance Measures *(All performance measures utilize standard Qualitative incentive schedule unless otherwise noted)*

Business Plan / Enterprise Objectives

Weight	Performance Measure
50%	<p>Contribute towards the accomplishment of the three enterprise priorities as embodied in the CalPERS 2011/2012 Business Plan (the Business Plan) as follows:</p> <ul style="list-style-type: none"> Oversee, and ensure accomplishment of all initiatives under objective #4 of enterprise priority #2. including <ul style="list-style-type: none"> Adding more information on funding status and contribution levels in pension plan actuarial valuation reports Conducting a review of economic assumptions used in actuarial valuation reports and implement needed changes Improving transparency and accessibility of financial information by completing two Web site enhancements implementing a public agency health care cost trend report Develop recommendations for improvements to risk pooling, including allocation of salary experience (EP 2; Obj 1) Support the implementation of the my CalPERS system (EP 1; Obj 1) Support the development and publication of two retirement security issue papers (EP 2; Obj 1) Support the establishment of an enterprise repository of policies, identified risk tolerances, and risk measurement systems (EP 3; Obj 3)

1st Quarter Status:

All four initiatives under objective #4 of enterprise priority #2 are on schedule.

- More information on future contribution levels will be included in the annual actuarial valuation reports for public agencies that will be sent out in October. This will complete this initiative.
- We have contracted with an actuarial consulting firm to prepare a review of economic assumptions. That report will form the basis for recommended changes to actuarial assumptions. This is on track for a December delivery.
- The Web site enhancements are underway and expected to be complete on time.
- Work is progressing on a public agency health care cost trend report.

The project to review risk pooling and recommend necessary changes is underway. Issues analysis is underway.

The actuarial office provided support for the implementation of the new my|CalPERS system. Completed readiness activities and launched first release of my|CalPERS on 9/19/11.

Staff has worked with the risk office to identify risk tolerances and risk measurement systems.

Special Initiatives

Weight	Performance Measure
25%	<p>Present workshops on basic actuarial funding and the risks inherent in the current funding methods at the July 2011 Board Offsite and achieve a good or better rating from 80% of the Board members who submit their assessments.</p> <p>Conduct a review of all actuarial policies and present the findings and recommended appropriate changes to the Board by June 30, 2012.</p> <p>By June 30, 2012, present to the Board an enhanced risk aware framework to be used in future workshops on Asset/Liability management.</p>

1st Quarter Status:

Two Board workshops – one on actuarial funding and a second on the risks inherent in the current funding methodologies – were presented at the July 2011 Board Offsite. An average 85% good or better rating was received for the external presenters. An overall 80% favorable rating was achieved, counting a “did not rate” as unfavorable.

A plan for the on-going review of all actuarial policies over a rolling three year timeframe will be presented to the Board in October with the first set of actuarial policies to be reviewed in December.

Work had not started on the enhanced risk aware framework to be used in future workshops on Asset/Liability management.

Executive Leadership

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Weight	Performance Measure
15%	<p>Leadership: Acts in an ethical, honest and professional manner. Communicates a clear vision of CalPERS' mission and goals. Gains the confidence and commitment of others through enthusiastic expressions of support of the vision and values of the organization. Gains support for courses of action by sharing information, encouraging feedback, listening respectfully, and acknowledging individual concerns.</p> <p>Teamwork: Promotes teamwork and cross-functional collaboration and communication in support of CalPERS' strategic goals. Presents well-organized arguments that are issue-oriented, not personal. Resolves disagreements by first identifying common ground and then exploring differences. Shares credit for good ideas and acknowledges the contributions, creativity and abilities of others.</p> <p>Succession Planning: Participates in an ongoing succession planning program to assess the workforce and create strategies to retain and develop the skills of employees. Identifies training, development and knowledge transfer strategies to meet future workforce needs. Contributes to the enhancement of organizational competencies and skills by providing opportunities for individual staff development and improvement.</p> <p>Diversity and Inclusion: Demonstrates diversity and inclusion awareness and personally cultivates a positive work environment where the differences of all staff are recognized and valued. Leads strategies and approaches to increase the level of diversity within the CalPERS' workforce. Through personal example and leadership, fosters a climate where all are treated with dignity and respect.</p> <p>Executive / Board Relations: Effectively represents the enterprise at executive management meetings, stakeholder group meetings, and at CalPERS Board of Administration meetings. Prepares and/or directs the preparation of thorough and accurate Board agenda materials and provides sound technical consultation and appropriate recommendations. Makes clear and concise presentations to the Board of Administration and Board Committees on relevant issues.</p> <p>Business Planning and Fiscal Management: Leads the business planning process by establishing clear, measurable operational objectives which align with CalPERS' strategic Goals. Identifies resource requirements to support organizational priorities. Ensures cost-effective use of resources (i.e., operational expenses, equipment and staff resources) and contributes to the overall prudent management of CalPERS trust funds.</p> <p>Management of Risk: Ensures that policy and program decisions are made with consideration for potential financial, compliance, legal, security, operational, reputational, political, strategic, and other risks. Implements risk mitigation strategies. Gathers risk intelligence to support executive and Board decision-making</p>
<p>1st Quarter Status:</p> <p>Raising the Terminated Agency Pool issue and getting it addressed was a quintessential management of risk issue. It required that a cross-functional team work together towards a common end, one that was not on the radar of most staff. It was an example of leadership, teamwork, executive/Board relations and management of risk.</p> <p>The recent appointment to the board of the Conference of Consulting Actuaries is a reflection of my leadership role within the public plan actuarial community.</p> <p>Work is currently underway with the California Department of Insurance to update the actuarial classification series to better meet the needs of all of the State entities that employ actuaries. If successful, this will significantly mitigate the risk of being unable to hire actuaries and is absolutely essential if there is to be meaningful succession planning within the actuarial office.</p> <p>A particular point of pride is being on track to complete the annual public agency valuations at the end of October. While we were no longer subject to three day a month furloughs that prevented us from reaching our regular service level in the prior two valuation cycles, staff were stretched due to resources being committed to PSR, on-going one day a month ad-hoc furloughs and staff vacancies. Returning to our prior service level in the face of these challenges required the team to pull together and truly work as a team.</p>	

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Management Drivers

Weight	Performance Measure
10%	<p>Achieve improvements in enterprise management during fiscal year 2011/2012 through fulfillment of the following initiatives:</p> <ol style="list-style-type: none"> 1. Maintain an average position vacancy rate of 5 percent or less. 2. Maintain a 90 percent completion rate for employee performance reviews (e.g., EPADs, probationary reports). 3. Ensure that all Form 700 Statements of Economic Interest are filed by scheduled employees in compliance with the legally mandated April 1, 2012 due date. 4. Ensure all scheduled employees complete the legally mandated AB 1234 ethics training course by June 30, 2012. 5. Ensure operational resources are managed within prescribed budget limits. 6. Resolve all outstanding audit findings within 12 months of receipt of audit report. 7. Lead the efforts to strengthen the organization's commitment to the principles of diversity and inclusion by conducting a minimum of two diversity and inclusion awareness sessions with direct reports and by completing the Executive Diversity and Inclusion Journey course. 8. Lead the efforts to reinforce the adoption of CalPERS' Core Values by conducting quarterly sessions with direct reports addressing the guiding behaviors emanating from the Core Values, and by spending a minimum of 2 hours per month on employee recognition.
<p>1st Quarter Status:</p> <p>The actuarial office failed to maintain an average position vacancy rate of 5 percent or less (fiscal year to date average as of August 31 was 8.9%) due to the difficulty in recruiting actuaries at the current pay scale. The vacancy rate for non-actuary positions was not tracked separately but is well below 5%.</p> <p>The actuarial office is currently on schedule for completing performance appraisals.</p> <p>The actuarial office is currently over budget by a small amount but it is anticipated that we will be able to recover due to ongoing salary savings due to the high vacancy rate for actuaries.</p> <p>There are no outstanding audit findings for the actuarial office.</p> <p>The Chief Actuary and Deputy Chief Actuary participated in the Executive Diversity and Inclusion Journey course.</p> <p>The actuarial office conducted an all-staff session on the core values in the first quarter. Significant employee recognition events allowed me to average over 2 hours per month on employee recognition.</p>	